WASHINGTON CONVENTION AND SPORTS AUTHORITY
T/A EVENTS DC

A COMPONENT UNIT OF THE DISTRICT OF COLUMBIA GOVERNMENT

FINANCIAL STATEMENTS
(Together with Report of Independent Public Accountants)
SEPTEMBER 30, 2018 and 2017

AND

MANAGEMENT'S DISCUSSION AND ANALYSIS

WASHINGTON CONVENTION AND SPORTS AUTHORITY
FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018 and 2017

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Mayor and Council of the Government of the District of Columbia
and the Board of Directors of the Washington Convention and Sports Authority
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington Convention and Sports Authority (the Authority), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2018 and 2017, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of net position by fund and schedule of revenues, expenses, and changes in net position by fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of net position by fund and schedule of revenues, expenses and changes in net position by fund are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of net position by fund and schedule of revenues, expenses, and changes in net position by fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2019 on our consideration of the Authority's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal controls over financial reporting and compliance.

Washington, DC
January 3, 2019

SB + Company, LLC

As management of Washington Convention and Sports Authority (Authority) doing business as Events DC, we present this Management's Discussion and Analysis (MD&A) of the Authority's financial condition and the results of operations for the years ended September 30, 2018 and 2017, with comparative information for 2016. This discussion is a narrative overview and analysis of our financial activities and should be read in conjunction with the accompanying financial statements.

Introduction

On October 1, 2009, in accordance with the Washington Convention Center Authority (WCCA) and D.C. Sports and Entertainment Commission (DCSEC) Merger Amendment Act of 2009, DCSEC was absorbed as a program of the WCCA and its mission, responsibilities and assets were transferred to WCCA. Following the transfer, the WCCA was renamed the Washington Convention and Sports Authority. This transfer created one umbrella organization with a broadened charter for increasing economic development through the promotion of key sports and entertainment offerings, as well as major national and international conventions, meetings and special events held in the District of Columbia (the District). As part of the Amendment Act, the District's Department of General Services (DGS) became responsible for the facility maintenance tasks previously performed by the DCSEC.

To further the effort of the expanded mission, the Authority created a new brand identity, "Events DC," on June 22, 2011. The new name is the centerpiece of a marketing effort intended to draw more events to the Convention Center, RFK Stadium, the DC Armory, and Carnegie Library at Mount Vernon Square. The new name is also designed to align with the existing brands for Washington D.C. and the city's tourism arm, Destination DC.

About Our Business

The Authority operates three distinct business divisions that generate significant regional economic impact by attracting conventions, tradeshows, sports and entertainment and other special events. The Convention & Meetings Division includes the Walter E. Washington Convention Center (WEWCC) and Carnegie Library at Mt. Vernon Square which generate event-related revenues primarily from the sale and use of meeting and exhibition space and other ancillary services such as commissions on telecommunications, audio-visual, electrical, and catering services. The Sports and Entertainment Division (SED), includes Robert F. Kennedy Memorial Stadium, the DC Armory, and the surrounding Festival Grounds, Gateway DC, R.I.S.E., Demonstration Center (meeting and demonstration space that is part of St. Elizabeths East redevelopment) and also functions as landlord for Nationals Park. SED generates revenue from hosting a entertainment and community events. Through the Special Events Division, the Authority is actively involved in the planning and support of some of the city's most anticipated events, attracting thousands of attendees to locations around the District which bring economic impact to our nation's capital.

Fiscal Year 2018 Financial Highlights

- Net position increased by $73.3 million or 19% when compared to the fiscal year ended September 30, 2017. Significant factors contributing to the $73.3 million increase in net position included a $23 million onetime contribution from the District to jointly finance the Entertainment and Sports Arena (ESA), a new practice/training facility for the Washington Wizards and Washington Mystics.

- Operating expenses increased by $7.2 million or 8% from fiscal year 2017, due to increases in costs related to personal and contractual services, utilities, and payment to the District for maintenance services specific to RFK Stadium and Armory.

- Operating revenues decreased by $1.5 million or 5% from fiscal year 2017, resulting in total operating revenues of $31.5 million in FY 2018. The decrease in operating revenue was a result of hosting less city-wide events which negatively impacted ancillary revenues.

- The Authority's long-term debt, excluding current maturities, decreased to $524.2 million or 9% compared to fiscal year 2017, mainly due to refunding of the 2007 bonds and 2010C bond and payment of the scheduled current portion of outstanding debt.

- The Statements of Cash Flows reflect an increase in cash and cash equivalents of $521 thousands.

- The Authority's bonds are rated "Aa3" by Moody's, "A+" by Standard & Poor's Corporation and "AA+" by Fitch Rating Services. These are the highest ratings the Authority received so far.

Fiscal Year 2017 Financial Highlights

- Net position increased by $60.1 million or 19% when compared to the fiscal year ended September 30, 2016. The increase is primary attributed to a 9% and 13% increase in operating and non-operating revenues, respectively, offset by 1% increase in total operating expenses.

- Operating expenses increased by $1.3 million or 1% from fiscal year 2016, due to increases in personal and contractual services offset by reduction in occupancy expenses.

- Operating revenues increased by $2.6 million or 9% from fiscal year 2016, resulting in total operating revenues of $33 million.

- The Authority's long-term debt, excluding current maturities, decreased to $578.5 million or 3% compared to fiscal year 2016, mainly due to payment of the scheduled current portion of debt outstanding.

- The Statements of Cash Flows reflect an increase in cash and cash equivalents of $4.3 million.

- The Authority's bonds are rated "Aa3" by Moody's, "A" by Standard & Poor's Corporation and "AA+" by Fitch Rating Services.

(1) *Overview of the Financial Statements*

The Authority's financial report includes Management's Discussion and Analysis, the Financial Statements, and Notes to the Financial Statements.

— The Financial Statements are designed to provide readers with a broad overview of the Authority's financial activities in a manner similar to a private-sector business. These financial statements are prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) as applied to governmental units on a full accrual basis. Under this basis of accounting, revenues are recognized in the period they are earned, while expenses are recognized in the period they are incurred. Depreciation and amortization of capital and deferred assets are recognized in the Statement of Revenues, Expenses, and Changes in Net Position. The basic financial statements include the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows. This report also includes notes accompanying the statements to fully explain the activities detailed therein.

— The Statements of Net Position present information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources is classified as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

— The Statements of Revenues, Expenses and Changes in Net Position report both the operating and non-operating revenues and expenses and other changes in net position for the end of the fiscal year.

— The Statements of Cash Flows present information showing how the Authority's cash and cash-equivalents position changed during the fiscal years. The Statements of Cash Flows classify cash receipts and cash payments resulting from operating activities, capital and related financing activities, noncapital financing activities and investing activities.

(2) *Financial Analysis*

The Authority's audited Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows are presented on pages 15 through 17.

(2) Financial Analysis (continued)

The following table reflects a summary of the Authority's net position at September 30, 2018, 2017 and 2016 *(in thousands)*:

Table 1
Condensed Statements of Net Position
(in thousands)

	2018	2017	2016	Percentage Change 2018-2017	Percentage Change 2017-2016
Assets:					
Currents assets	$ 248,720	$ 217,690	$ 154,236	14%	41%
Capital assets, net of accumulated depreciation	554,500	519,361	529,892	7%	-2%
Other non-current assets	244,077	276,635	278,782	-12%	-1%
Total Assets	1,047,297	1,013,686	962,910		
Deferred outflow of resources	10,692	13,320	14,504	-20%	-8%
Total Assets and Deferred Outflow of Resources	1,057,989	1,027,006	977,414		
Liabilities:					
Current liabilities	62,829	64,840	55,535	-3%	17%
Noncurrent liabilities	524,191	578,457	598,358	-9%	-3%
Total Liabilities	587,020	643,297	653,893		
Deferred inflow of resources	13,922	-	-		
Net Position:					
Net investment in capital assets	210,772	146,870	142,344	44%	3%
Restricted	130,404	150,820	157,294	-14%	-4%
Unrestricted	115,871	86,019	23,883	35%	260%
Total Net Position	$ 457,047	$ 383,709	$ 323,521	19%	19%

2018 - For the year ended September 30, 2018, the Authority's overall financial position remained strong with total assets of $1 billion and liabilities of $587 million. Current assets increased by $10 million or 5% and other non-current assets decreased by $12 million or 4% for the year ended September 30, 2018. The increase in current assets is due to the purchase of additional investments. The decrease in non-current assets is due to receipt of other receivables and a reduction in restricted investments off set by increase in the receivables from Carnegie Library lease entered in current year.

The total net position of the Authority increased by $73.3 million or 19% for the year ended September 30, 2018. As of September 30, 2018, the Authority had a total net position amounting to approximately $457 million, with the largest portion of the Authority's net position, $210.8 million, or 46%, in net investment in capital assets. Of the Authority's remaining net position, $130 million or 29%, representing resources that are subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture reserve requirements). The remaining balance of $115.8 million or 25% is unrestricted.

(2) Financial Analysis (continued)

2017 – The Authority's overall financial position improved during fiscal year 2017. The total net position of the Authority increased by $60.1 million or 19% for the year ended September 30, 2017. As of September 30, 2017, the Authority had total net position amounting to approximately $383.7 million, with the largest portion of the Authority's net position, $150.8 million, or 39%, representing resources that are subject to external restrictions on how they may be used (primarily related to the Authority's bond indenture reserve requirements). Of the Authority's remaining net position, $146.9 million or 38%, reflects its net investment in capital assets. The remaining balance of $86 million or 23% is unrestricted.

The Authority uses its capital assets to fulfill its mission of promoting conventions, tourism and sports and entertainment events in the District. The resources used to repay the debt are derived from dedicated tax collections which are composed of (i) 4.45% sales and use tax on hotel room charges and (ii) a 1% sales and use tax on restaurant meals, alcoholic beverages consumed on premises and rental vehicle charges in the District.

(2) Financial Analysis (continued)

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position
(in thousands)

	2018	2017	2016	Percentage Change 2018-2017	Percentage Change 2017-2016
Operating Revenues and Expenses:					
Building rental - events related	$ 8,417	$ 9,704	$ 10,231	-13%	-5%
Building rental	3,246	2,440	2,369	33%	3%
Ancillary charges and other	19,838	20,876	17,830	-5%	17%
Total Operating Revenues	31,501	33,020	30,430	-5%	9%
Operating Expenses:					
Personal services	27,284	25,718	24,407	6%	5%
Contractual services	23,113	20,763	19,341	11%	7%
Depreciation	33,996	32,543	32,032	4%	2%
Occupancy	6,433	5,249	6,478	23%	-19%
Payment to District	2,501	2,056	2,643	22%	-22%
Miscellaneous	1,428	1,140	1,199	25%	-5%
Bad debt	16	64	176	-75%	-64%
Total Operating Expenses	94,771	87,533	86,276	8%	1%
Operating loss	(63,270)	(54,513)	(55,846)	16%	-2%
Non-operating Revenues and (Expenses)					
Interest income	4,821	2,092	970	130%	116%
Dedicated taxes	141,448	138,128	123,551	2%	12%
TIF revenue	20,320	21,079	19,513	-4%	8%
Miscellaneous revenue	27,043	2,763	2,615	879%	6%
Bond interest and amortization issue costs	(29,589)	(31,531)	(32,458)	-6%	-3%
Marketing agencies payments	(19,846)	(14,830)	(12,600)	34%	18%
Miscellaneous expenses	(7,589)	(3,000)	-	100%	-
Total Non-operating Revenues and (Expenses)	136,608	114,701	101,591	19%	13%
Changes in net position	73,338	60,188	45,745	22%	32%
Net position, beginning of year	383,709	323,521	277,776	19%	16%
Net Position, End of Year	$ 457,047	$ 383,709	$ 323,521	19%	19%

(2) Financial Analysis (continued)

Analysis of Changes in Net Position

Revenues

For the fiscal years ended September 30, 2018, 2017 and, 2016, the Authority's operating revenues were $31.5 million, $33 million and $30.4 million, respectively.

2018 **–** Operating revenues decreased by 5% compared to the previous year. The net decrease is attributed to the nature of events and the amount of revenue derived from each event hosted during the year. The DC United move from RFK Stadium also contributed to the revenue reduction. There were two less city-wide events held in fiscal year 2018 that contributed to the decrease in operating revenue compared to fiscal year 2017. Ancillary revenues decreased by 5% in fiscal year 2018 as a result of less demand for food, and a reduction of parking, facilities maintenance, and event services revenue related to DC United's move to their new Stadium.

During fiscal year 2018, non-operating revenues of $193.6 million increased by 18% compared to fiscal year 2017. This was due to $23 million onetime contribution from the District to jointly finance the Entertainment Sports Arena (ESA), a new practice/training facility for the Washington Wizards and Washington Mystics. The $23 million is showing as miscellaneous revenue in the Statements of Revenues, Expenses, and Changes in Net Positions.

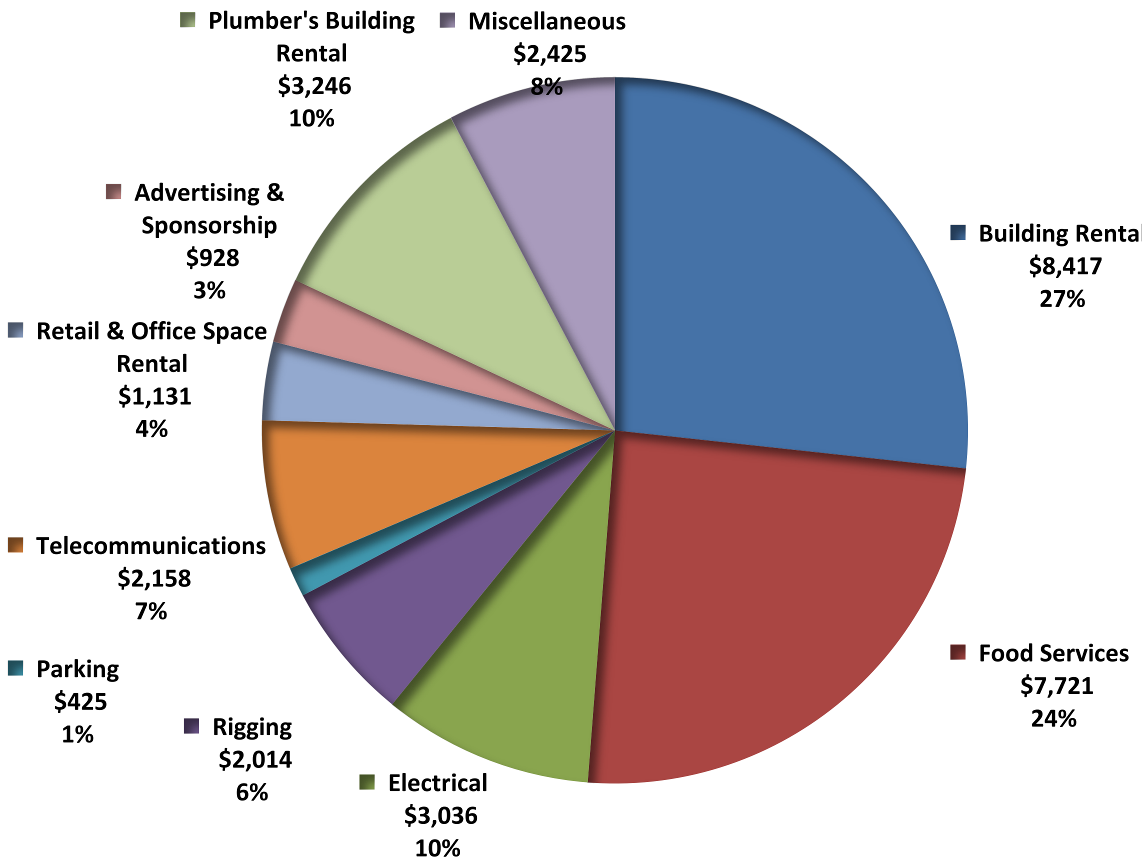
2017 **–** The Authority's FY2017 operating revenues increased by 9% compared to FY2016. The increase was primarily due to an increase in food service, electrical, rigging, telecommunication, and retail & office space rental revenue. The net increase is attributed to the nature and size of events and the amount of revenues derived from each event hosted during the year.

During fiscal year 2017, non-operating revenues of $164.1 million increased by 12% compared to fiscal year 2016. This was due to increases in dedicated taxes, TIF revenues and interest income from investments.

(2) Financial Analysis (continued)

The following is a graphic illustration of 2018 operating revenues by source.

(In Thousands)



Expenses
For fiscal years 2018, 2017 and 2016, the Authority's total operating expenses were $94.8 million, $87.5 million and $86.3 million, respectively.

2018 – Total operating expenses increased by $7.2 million or 8% from fiscal year 2017. The increase was driven by salaries and fringe benefits associated with the hiring of new FTEs and the filling of vacant positions. There was also an increase in contractual services, occupancy and payments to the District for RFK facility maintenance services.

Personal services increased by $1.6 million or 6%. The increase was due to new hires, alignment of salaries, and positions being filled that were vacant in the previous year. Contractual services costs increased by $2.4 million or 11% compared to fiscal year 2017. This was primarily due to increased cost in marketing and community engagement expenses related to the new Arena and consulting services related to the RFK redevelopment study as well as an increase in payments to the District for RFK facility maintenance services. Occupancy expense, which includes all utility related costs such as electricity, telecommunications, water, sewer, and natural gas, totaled $6.4 million, an increase of 23% from fiscal year 2017. Depreciation expense, primarily for the convention center building, amounted to $34 million.

The Authority's non-operating expenses consisted of $29.6 million in bond interest and amortization, and $19.8 million in payments to marketing entities. The Washington Convention Center Authority Act of 1994 (as amended in 1998) requires the Authority to transfer 17.4% of the hotel taxes received to the Marketing Fund for the purpose of promoting conventions and tourism in the District of Columbia. Effective October 1, 2017, under the Hospitality Tax Dedication section of the Act, additional 0.3 percent hotel room tax was imposed. The new 0.3 percent tax is dedicated to Destination DC through the Authority for the purposes of marketing and promoting the District of Columbia as a destination.

2017 – Total operating expenses increased by $1.3 million or 1% from fiscal year 2016. The increase was driven by a rise in personal services and increased contractual services offset by specific cost containment efforts by management in the area of utility expenses.

Personal services, which includes salaries and benefits, increased by $1.3 million or 5%. The increase was due to new hires, fringe benefits, and positions being filled that were vacant in the previous year. Contractual services costs increased by $1.4 million or 7% compared to fiscal year 2016. This was primarily due to increased cost in legal services and consulting services related to the RFK redevelopment study as well as an increase in spending to attract new and out of town events and business.

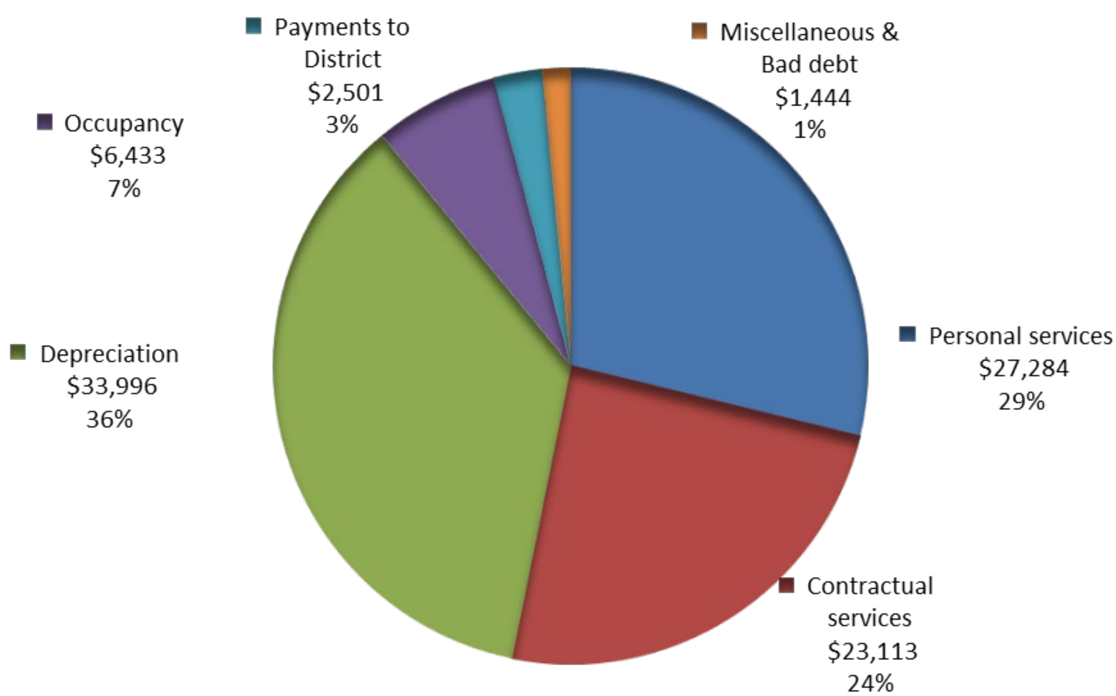
Occupancy expense, which includes all utility related costs such as electricity, telecommunications, water, sewer, and natural gas, accounted for $5.2 million or 6%; payment to the Department of General Services (DGS) for RFK stadium and DC Armory maintenance services totaled $2.1 million or 2%; and miscellaneous expenses accounted for $1.1 million or 1%. Depreciation expense, primarily for the convention center building, amounted to $32.5 million or 37%.

The Authority's non-operating expenses consisted of $31.5 million in bond interest and amortization, $14.8 million in payments to marketing entities and, miscellaneous expenses of $3 million. The Washington Convention Center Authority Act of 1994 (as amended in 1998) requires the Authority to transfer 17.4% of the hotel taxes received to the Marketing Fund for the purpose of promoting conventions and tourism in the District of Columbia.

(2) Financial Analysis (continued)

The following is a graphic illustration of 2018 operating expenses.

(In Thousands)



(3) *Capital Asset and Debt Administration*

Capital Assets

The Authority has invested $554.5 million and $519.4 million in capital assets, net of depreciation for 2018 and 2017, respectively. The Authority's 2018 net capital assets increased by $35.1 million compared to fiscal year 2017, which was primarily due to an increase of $69.1 million related to building improvements, and construction in progress and the purchase of furniture, machinery, and equipment. The increase is partially offset by depreciation expenses of $34 million.

Table 3 summarizes the Authority's capital assets, net of accumulated depreciation at September 30, 2018, 2017, and 2016. The changes are presented in detail in Note 4 to the financial statements.

(4) ***Capital Asset and Debt Administration (***continued)

Table 3
Capital Assets (Net of Depreciation)
(in thousands)

	2018	2017	2016	Percentage Change 2018-2017	Percentage Change 2017-2016
Non-depreciable					
Land	$ 4,785	$ 4,785	$ 4,785	0%	0%
Construction in progress	71,489	13,679	843	423%	100%
Artwork	2,742	2,742	2,742	0%	0%
Total Non-depreciable Capital Assets	79,016	21,206	8,370		
Depreciable					
Building	$ 769,409	$ 769,409	$ 769,409	0%	0%
Building improvements	42,790	37,377	35,113	14%	6%
Plumber's building	33,425	33,425	33,425	0%	0%
Building improvements- SED	38,367	38,344	38,230	0%	0%
Stadium structure	19,037	19,037	19,037	0%	0%
Parking lot improvements	7,041	7,041	7,016	0%	0%
Central plant	16,265	16,265	16,265	0%	0%
Carnegie Library	14,798	14,798	13,386	0%	11%
Carnegie Library-building improvements	1,479	1,466	529	1%	177%
Financial systems	1,751	1,645	1,446	6%	14%
Furniture and fixtures	28,005	25,403	23,988	10%	6%
Furniture and fixtures-SED	1,578	1,566	1,168	1%	34%
Machinery and equipment	23,652	20,496	18,084	15%	13%
Total Depreciable Capital Assets	997,597	986,272	977,096		
Less: accumulated depreciation	522,113	488,117	455,574	7%	7%
Net Depreciable Capital Assets	$ 475,484	$ 498,155	$ 521,522		

Debt Administration

The Authority had $542.5 million and $599.3 million in long-term liabilities outstanding, including current maturities, as of September 30, 2018 and 2017, respectively. Principal payments of $83.9 million and $19.8 million were made during fiscal years 2018 and 2017, respectively. On February 22, 2018, the Authority defeased $72.8 million outstanding debt related to 2010C bonds as a result the amount is not reflected in fiscal year 2018 balance. The long-term liabilities of the Authority are summarized below and is presented in more detail in the financial statements (see Note 8 for more information on long-term debt).

(5) ***Capital Asset and Debt Administration (***continued)

Table 4
Long-Term Debt Outstanding
(in thousands)

				Percentage Change	
	2018	**2017**	**2016**	**2018-2017**	**2017-2016**
Bonds payable, premium	$ 536,240	$ 592,931	$ 613,199	-10%	-3%
Capital lease obligation	4,972	5,123	3,824	-3%	34%
Compensated absences	1,306	1,284	1,260	2%	2%
Total Debt Outstanding	542,518	599,338	618,283	-9%	-3%
Current portion of debt outstanding	18,327	20,806	19,870	-12%	5%
Debt Outstanding less Current Portion	$ 524,191	$ 578,532	$ 598,413	-9%	-3%

Current portion of debt outstanding includes $75 thousands and $74 thousands current portion of compensated absences, as of September 30, 2018 and 2017, respectively. See Note 8 for detail.

The Authority's bonds are rated "Aa3" by Moody's for fiscal year 2018 and "A+" by Standard & Poor's Corporation and "AA+" by Fitch Rating Services.

(6) *Budgetary Controls*

The Authority adopts an operating and capital budget, which is approved by its Board of Directors in February of each year for the subsequent fiscal year. The budget is reviewed and adjusted, if necessary, and changes are approved by the Board prior to the start of each new fiscal year. The budgets are loaded into the Authority's Financial Management System. The Financial Management Division prepares monthly reports for the Board of Directors and its Finance Committee. The reports are reviewed and acted upon each month to ensure the Authority complies with its authorized budget levels.

After approval by the Board of Directors, the Authority is required to submit its annual operating and capital budgets to the Mayor and Council of the District of Columbia to be included in the District's budgets that are sent to the United States Congress for approval.

(7) *Request for Information*

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Mr. Henry W. Mosley, Chief Financial Officer, Washington Convention and Sports Authority, 801 Mount Vernon Place, N.W., Washington, D.C. 20001.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2018 AND 2017
(In Thousands)

	2018	2017
ASSETS AND DEFERRED OUTFLOWS		
Current Assets:		
Cash and Cash Equivalents	$ 14,522	$ 13,285
Restricted Cash	8,974	9,690
Investments	206,758	176,323
Due from District of Columbia	13,344	12,909
Accounts Receivable, Net of Allowance for Uncollectible Accounts	3,449	3,851
Prepaid Expenses and Other Assets	1,162	988
Accrued Interest Receivable	511	644
Total Current Assets	248,720	217,690
Noncurrent Assets:		
Lease Receivable	14,336	-
Other Receivable	39,410	46,000
Restricted Investments	190,331	230,635
Non-Depreciable Capital Assets	79,016	21,206
Depreciable Capital Assets, Net of Accumulated Depreciation	475,484	498,155
Total Noncurrent Assets	798,577	795,996
Total Assets	1,047,297	1,013,686
Deferred Outflow of Resources		
Bond Deferral of Refunding Costs	10,692	13,320
Total Assets and Deferred Outflow of Resources	1,057,989	1,027,006
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	16,754	12,126
Other Liabilities	8,275	8,845
Due to District Government	2,329	2,991
Compensation Liabilities	1,317	1,259
Unearned Revenue	3,273	3,394
Accrued Interest Payable	12,629	15,419
Capital Lease - Current Portion	147	151
Bonds Payable - Current Portion	18,105	20,655
Total Current Liabilities	62,829	64,840
Noncurrent Liabilities:		
Compensated Absences	1,231	1,209
Capital Lease, Net of Current Portion	4,825	4,972
Bonds Payable, Net of Current Portion	518,135	572,276
Total Noncurrent Liabilities	524,191	578,457
Total Liabilities	587,020	643,297
Deferred Inflow of Resources	13,922	-
Net Position		
Net Investment in Capital Assets	210,772	146,870
Restricted:		
Debt Service and Capital Interest	23,635	25,754
Capital Renewal	21,815	18,851
Operating and Marketing Fund	50,635	48,812
Debt Service Reserve	27,554	33,700
ESA Project	6,621	23,559
Kenilworth Park	144	144
Unrestricted Net Position	115,871	86,019
Total Net Position	$ 457,047	$ 383,709

The accompanying notes are an integral part of these financial statements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In Thousands)

	2018	2017
OPERATING REVENUES AND EXPENSES		
Operating Revenues:		
Building Rental -Events Related	$ 8,417	$ 9,704
Food Services	7,721	8,505
Electrical	3,036	2,784
Rigging	2,014	1,681
Parking	425	536
Telecommunications	2,158	2,116
Retail & Office Space Rental	1,131	945
Advertising & Sponsorship	928	782
Building Rental	3,246	2,440
Miscellaneous	2,425	3,527
Total Operating Revenues	31,501	33,020
Operating Expenses:		
Personal Services	27,284	25,718
Contractual Services	23,113	20,763
Depreciation	33,996	32,543
Occupancy	6,433	5,249
Payment to District	2,501	2,056
Miscellaneous	1,428	1,140
Bad Debt	16	64
Total Operating Expenses	94,771	87,533
Operating Loss	(63,270)	(54,513)
Non-operating Revenues and (Expenses):		
Interest Income	4,821	2,092
Dedicated Taxes	141,448	138,128
TIF Revenue	20,320	21,079
Miscellaneous Revenue	27,043	2,763
Interest Expense	(29,295)	(30,856)
Amortization of Bond Issuance Costs	(294)	(675)
Marketing Agencies Payments	(19,846)	(14,830)
Miscellaneous Expenses	(7,589)	(3,000.00)
Total Non-operating Revenues and (Expenses)	136,608	114,701
Changes in Net Position	73,338	60,188
Net Position, Beginning of Year	383,709	323,521
Net Position, End of Year	$ 457,047	$ 383,709

The accompanying notes are an integral part of these financial statements.

WASHINGTON CONVENTION AND SPORTS AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(In Thousands)

	2018	2017
Cash Flows from Operating Activities:		
Receipts from Customers	**$ 31,744**	$ 32,421
Payments to Suppliers	**(27,090)**	(21,036)
Payments to Employees	**(27,204)**	(25,596)
Other Payments	**(3,163)**	(1,116)
Net Cash Used for Operating Activities	**(25,713)**	(15,327)
Cash Flows from Noncapital Financing Activities:		
Dedicated Tax Receipts	**141,013**	138,380
Tax Increment Financing Tax Receipts	**20,320**	21,079
Transfer to Tourism Responsibility Centers	**(19,846)**	(14,830)
Other Payments	**(7,589)**	(3,000)
Other Receipts	**33,240**	3,763
Net Cash Provided by Noncapital Financing Activities	**167,138**	145,392
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	**(69,135)**	(20,600)
Capital Lease Payment	**(151)**	(113)
Bonds Payable Payment	**(83,900)**	(19,760)
Interest Expense Payments	**(2,541)**	(31,320)
Net Cash Used in Capital and Related Financing Activities	**(155,727)**	(71,793)
Cash Flows from Investing Activities:		
Proceeds from Sale and Maturities of Investment Securities	**191,709**	112,418
Purchases of Investment Securities	**(181,840)**	(168,266)
Interest and Dividends on Investments	**4,954**	1,845
Net Cash Provided By (Used in) Investing Activities	**14,823**	(54,002)
Net Increase in Cash and Cash Equivalents	**521**	4,270
Cash and Cash Equivalents, Beginning of Year	**22,975**	18,705
Cash and Cash Equivalents, End of Year	**$ 23,496**	$ 22,975
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating Loss	**$ (63,270)**	$ (54,513)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:		
Depreciation	**33,996**	32,543
Provision for Doubtful Accounts	**(61)**	(43)
Decrease (Increase) in Receivables	**463**	(1,521)
(Increase) in Prepaid and Other Assets	**(174)**	(631)
Increase in Accounts Payables	**3,396**	7,691
Increase in Compensation Liabilities	**58**	118
(Decrease) Increase in Unearned Revenue	**(121)**	1,029
Net Cash Used in Operating Activities	**$ (25,713)**	$ (15,327)
Supplemental Cash Flow Disclosure		
Increase in Capital asset and related liability from capital lease entered into	**$ -**	$ 1,412

The accompanying notes are an integral part of these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to U.S. Generally Accepted Accounting Principles (GAAP) as applicable to government enterprises. The following is a summary of the Authority's significant accounting policies:

- ***Reporting Entity***

The Washington Convention Center Authority (WCCA or Authority), a corporate body and independent authority of the District of Columbia (District) Government, was created pursuant to the Washington Convention Center Authority Act of 1994 (the WCCA Act), effective September 28, 1994.

The Authority was established for the purpose of acquiring, constructing, equipping, maintaining, and operating a new convention center in the District of Columbia. The Authority engages in activities deemed appropriate to promote trade shows, conventions, and other events closely related to activities of the new convention center.

The Washington Convention and Sports Authority (the Authority) was formed on October 1, 2009 following the transfer of D.C. Sports and Entertainment Commission's mission, responsibilities and assets to WCCA in accordance with the Washington Convention Center Authority and Sports and Entertainment Commission Merger Amendment Act of 2009.

Following the transfer, the Authority's Board of Directors (the Board) grew from nine to eleven members. Two members serve as ex-officio voting members of the Board. One of the ex-officio members must be the chief financial officer of the District of Columbia and the mayor designates the other. The remaining nine public members are appointed by the mayor with the consent of the Council of the District of Columbia (the Council). The terms of the public members are four years. The mayor appoints one public member as chairperson with the advice and consent of the Council.

The Authority receives its funding by generating operating revenues from conventions, meetings, sports events, parking, advertising, sponsorships, and ancillary operations. In addition, it receives dedicated taxes from the hospitality industry as well as interest and dividend income from investments. The dedicated taxes were established pursuant to the WCCA Act. The dedicated taxes consist of separate sales and use tax of 4.45% (of the District's 14.5%) on hotel room charges and a sales and use tax of 1% (of the District's 10%) on restaurant meals, alcoholic beverages consumed on premises, and rental vehicle charges. Effective October 1, 2017, the hotel room charges of 14.5% changed to 14.8% with the additional 0.3% increase going to Destination DC through the Authority for the purposes of marketing and promoting the District of Columbia as a destination. The dedicated taxes are collected on behalf of the Authority in accordance with the September 1998 Lockbox and Collection Agreements executed by the Authority, the District and a financial institution.

The Authority is a component unit of the District of Columbia Government.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Measurement Focus, Basis of Accounting, and Basis of Presentation***

The Authority's basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The economic measurement focus reports all assets, deferred outflows of resources, liabilities, and deferred inflow of resources associated with the operations and are included on the Statements of Net Position.

The financial statements have been prepared in accordance with GAAP as prescribed by GASB and are presented as required by these standards to provide a comprehensive perspective of the Authority's net position, changes in net position, and cash flows.

For the purposes of financial reporting, the Authority is considered to be a single enterprise fund. However, for accounting purposes, and to ensure observation of limitations and restrictions placed on the use of the resources available to the Authority, accounts are maintained in accordance with the principles of fund accounting.

The Authority accounts for its activities in nine separate funds: the Operating (WEWCC) Fund, the Building Fund, the Marketing Fund, Capital (WEWCC) Fund, Operating (SED) Fund, New Stadium Fund, Capital (SED) Fund, Operating (Carnegie Library) Fund and Capital (Carnegie Library) Fund. The following activities are reported in each fund.

a. Operating (WEWCC) Fund – The operating fund accounts for the transactions related to the operation of the convention center.

b. Building Fund – The building fund accounts for the transactions related to the new hotel and expansion projects.

c. Marketing Fund – The marketing fund accounts for the transactions related to marketing and promoting conventions and tourism in the District.

d. Capital (WEWCC) Fund – The capital fund accounts for the transactions related to the improvement of the convention center.

e. Operating (SED) Fund – The operating SED fund accounts for transactions related to the operation of Robert F. Kennedy Memorial Stadium, DC Armory and ESA.

f. New Stadium Fund – The new stadium fund accounts for transactions related to the new Nationals Park Stadium.

g. Capital (SED) Fund – The SED capital fund accounts for the transactions related to the improvement of the Robert F. Kennedy Memorial Stadium and DC Armory.

h. Operating Carnegie Library Fund – The operating fund accounts for transactions related to the operation of Carnegie Library.

i. Capital Carnegie Library Fund – The capital fund accounts for the transactions related to the improvement of the Carnegie Library.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Current and Noncurrent***

  Current assets are used to designate cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating cycle of business, usually one year or less, without interfering with normal business operations. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities.

- ***Use of Restricted Components of Net Position***

  The Authority spends restricted reserve funds only when the unrestricted amounts are insufficient or unavailable.

- ***Cash and Cash Equivalents***

  The Authority considers all highly liquid instruments purchased with an original maturity of less than ninety (90) days to be cash equivalents.

- ***Accounts Receivable***

  Accounts receivable, which is recorded at net realizable value, is related to transactions involving building rental, electrical, telecommunications, audio-visual, advertising, sponsorships, parking, and miscellaneous revenue. As of September 30, 2018 and 2017, gross accounts receivable was $3.8 million and $4.2 million, respectively.

- ***Allowance for Uncollectible Accounts***

  The Authority establishes an allowance for uncollectible accounts for all account receivables over 180 days old and based on management review of specific accounts. As of September 30, 2018 and 2017, the allowance for uncollectible accounts was $303 thousand and $364 thousand, respectively.

- ***Lease Receivable***

  Lease receivable, which is recorded at the present value of lease payments expected to be received during the lease term, is related to the subleasing of Carnegie Library. The net present value of the minimum lease payments are recognized as non-current receivables.

- ***Investments***

  Investments in money markets and repurchase agreements are recorded at market value which approximates fair value. Treasury obligations and commercial paper are recorded at amortized cost which approximates fair value.

- ***Restricted Assets***

  Assets are reported as restricted when limitations on their use change the nature of the availability of the assets. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through enabling legislation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Capital Assets and Depreciation***

Capital assets are carried at cost. The Authority capitalizes assets with an original cost of $5,000 or greater. Donated capital assets are recorded at fair market value at the date donated and capital lease assets are recorded at the net present value of minimum lease payments. Land and artwork are carried on the Authority's books at cost and are not depreciated. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Financial Systems	5 years
Machinery and Equipment	5 years
Furniture and Fixtures	10 years
Central Plant	20 years
Building and Building Improvements	30 years
Structure and Parking Lot Improvements	5-35 years
RFK Stadium	50 years

Expenditures for repairs and maintenance that do not increase the economic useful lives of related assets are charged to operations during the fiscal year in which the costs are incurred. Improvements are capitalized.

- ***Bond Deferral of Refunding Costs***

Bond deferral of refunding costs represents the defeasance of Series 1998A bonds and $25 million of the 2007A bonds obtained for a portion of the land acquisition related to Headquarters Hotel for the Convention Center. The cost is the difference between the reacquisition price and the net carrying amount of the old debts and is deferred and amortized over the remaining life of the old debt. Series 1998 bonds are amortized over 22 years and the 2007A bonds are amortized over 18 years. As of September 30, 2017, bond deferral costs which are reflected as deferred outflow of resources in the Statement of Net Position totaled $13.3 million.

On February 22, 2018, the Authority defeased series 2010C bond and incurred bond deferral of refunding costs. The cost is the difference between the reacquisition price and the net carrying amount of the old debts and is deferred and amortized over the remaining life of the old debt. Series 2010C bonds are amortized over 22 years. As of September 30, 2018, bond deferral costs which are reflected as deferred outflow of resources in the Statement of Net Position totaled $10.7 million.

- ***Bond Premium and Discount***

The bond premium and discount is recorded as an increment of the carrying cost of the bonds. Both are amortized based upon the weighted average of bonds outstanding over the term of the bonds.

- ***Unearned Revenue***

Unearned revenue represents revenue and deposits received in advance from show managers and promoters for events booked at the Walter E. Washington Convention Center and the Sports & Entertainment Division.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Deferred Inflow of Resources***

  The Deferred inflow of resources represents the transactions related to subleasing of the Carnegie Library. The amount of the initial measurement of the lease receivable less payments received from the lease at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to or on behalf of the lessee at or before the commencement of the lease term is recognized as deferred inflow of resources to account for a lease.

- ***Revenue Recognition***

  Revenues are recorded when earned. Dedicated and Tax Increment Financing taxes are recorded in the period when the exchange transaction on which the tax is imposed occurs.

- ***Compensated Absences***

  The Authority accrues a liability for annual leave based on salary rates and accumulated leave hours at September 30. Employees earn annual leave during the year at varying rates, depending on the employee's classification and years of service. Generally, non-union employees may carry over a maximum of 240 hours of annual leave and union employees may carry a maximum of 320 hours beyond December 31 of each calendar year. Carryover of annual leave in excess of 240 and 320 hours is permitted with the approval of appropriate Authority officials. The accrued maximum annual leave balance is payable to employees upon termination of employment.

- ***Components of Net Position***

  Net position is reported in the following categories:

  Net investment in capital assets- This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets.

  Restricted- This amount represents a required reserve in accordance with Series 2007 & 2010 Bonds Trust agreements. The Net position is also restricted for construction of the Washington Wizards practice facility and entertainment arena.

  Unrestricted- This amount is the portion of net position that does not meet the definition of invested in capital asset or restricted.

- ***Revenues and Expenses***

  The Authority distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's ongoing operations. The principal operating revenues of the Authority consist of building rental, electrical, telecommunications, food services, retail/office, advertisements and sponsorship and miscellaneous revenues such as audio-visual, event services, meeting setup charges and equipment rental. Operating expenses include personnel services, contractual services, depreciation, occupancy, payment to District of Columbia and miscellaneous expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Estimates***

  The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates and assumptions may also affect the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2 CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The carrying amounts of the Authority's cash as of September 30, 2018 and 2017 were $23.5 million and $23 million, respectively. The Authority's bank balances as of September 30, 2018 and 2017 were $25.6 million and $25.1 million, respectively. These bank balances are entirely insured or collateralized with securities held by third parties in the Authority's name.

Investments

In accordance with the Authority's investment policy adopted in 1997 and amended in 2009, the Authority may invest in bonds, notes, certificates of indebtedness, treasury bills, or other securities guaranteed by the U.S. Government, its agencies such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); domestic interest bearing savings accounts; certificate of deposits; time deposits or any other investments that are direct obligations of any bank; short-term obligations of U.S. Corporations; shares or other securities legally issued by state or federal savings and loan associations that are insured by the FDIC; money market mutual funds registered under the amended Investment Act of 1940; repurchase agreements with any bank, trust company, or national banking association or government bond dealer reporting to the Federal Reserve Bank of New York; and investment agreements which represent the unconditional obligation of one or more banks; insurance companies or other financial institutions, or are guaranteed by a financial institution.

As of September 30, 2018 and 2017, the Authority's investments were in money market, U.S. treasury securities, certificate of deposits, other U.S. guaranteed securities, and federal agency securities along with collateralized repurchase agreements. Agency securities and money market investments were rated AAA and/or collateralized by the fund provider.

Fair Value Measurement: The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;
Level 2: Observable inputs other than quoted market prices; and,
Level 3: Unobservable inputs.

NOTE 2 CASH DEPOSITS AND INVESTMENTS (continued)

The Authority has the following recurring fair value measurements as of September 30, 2018 and 2017.

Investment Instrument Measured at Fair Value
(In Thousands)

	Fair Value Measurement Using			
Investment by Fair Values Level	9/30/2018	Level 1	Level 2	Level 3
Debt Securities				
U.S Treasury Securities	$ 45,422	$ 45,422	$ -	$ -
U.S Agencies	$ 22,833	22,833	-	-
Money Market Deposit*	328,834	N/A	N/A	N/A
Total investments by fair value level	$ 397,089			

*Valued at net asset value

	Fair Value Measurement Using			
Investment by Fair Values Level	9/30/2017	Level 1	Level 2	Level 3
Debt Securities				
U.S Treasury Securities	$ 109,325	$ 109,325	$ -	$ -
U.S Agencies	7,298	7,298	-	-
Negotiable Certificate of Deposit	30,137	30,137	-	-
Money Market Deposit*	260,198	N/A	N/A	N/A
Total investments by fair value level	$ 406,958			

*Valued at net asset value

The Authority's investments are subject to certain risks. Those risks are as follows:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments. As of September 30, 2018 and 2017, 16% and 34% of the Authority's investments were held by a counterparty that is insured and collateralized.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The risk may vary based on the type of investment. As of September 30, 2018 and 2017, all funds were invested in AAA rated money market funds, agency securities and certificate of deposits (CDs) thereby limiting the Authority's exposure to interest rate risk. In accordance with the Authority's investment policy, the investment maturities vary from 1- 5 years.

NOTE 2 CASH DEPOSITS AND INVESTMENTS (continued)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy limits investments to investments that are highly rated by Moody's or Standard & Poor's. As of September 30, 2018 and 2017, the Authority's investments were all in AAA rated short-term money market funds, AAA rated agency securities, guaranteed investment contracts, and certificate of deposits.

Concentration of Credit Risk: To limit exposure to concentrations of credit risk, the Authority's investment policy limits investment in U.S. Treasury to 100%, Federal Agencies to 40%, money market mutual funds to 25%, and repurchase agreements to 25% to any one issuer.

Required Reserves: Under the Bond Trust agreements, the Authority is required to maintain certain reserve requirements for debt service, operating and marketing, capital renewal and replacement, marketing and hotel projects. The Authority maintained the above funds in various reserve accounts to meet the requirements. As of September 30, 2018 and 2017, those restricted funds totaled approximately $210.7 million and $230.6 million, respectively.

The following tables summarize the minimum reserve requirements and restricted and unrestricted amounts as of September 30, 2018 and 2017 *(in thousands)*.

Reserve Accounts	Investment Balances as of September 30, 2018	Minimum Required Reserve (Restricted)	Available Reserve Above the Required Minimum
Series 2018A			
Capital Renewal & Replacement Account	$ 69,521	$ 21,815	$ 47,706
Debt Service	23,635	23,635	-
Debt Service Reserve Account	31,041	27,553	3,488
Marketing Account	8,491	8,491	-
Operating and Marketing Reserve Account	187,264	42,143	145,121
Revenue Account	10,443	-	10,443
ESA Project	6,621	6,621	-
Total	337,016	130,258	206,758
Series 2018B and 2010 Bonds			
Tax Increment Financing Revenue Account	28,268	28,268	-
Debt Service Reserve Account	31,805	31,805	-
Total	60,073	60,073	-
Total Restricted and Non-restricted Investments	$ 397,089	$ 190,331	$ 206,758

NOTE 2 CASH DEPOSITS AND INVESTMENTS (continued)

Reserve Accounts	Investment Balances as of September 30, 2017	Minimum Required Reserve (Restricted)	Available Reserve Above the Required Minimum
Series 2007A			
Capital Renewal & Replacement Account	$ 63,792	$ 18,851	$ 44,941
Debt Service	25,754	25,754	-
Debt Service Reserve Account	34,417	33,700	717
Marketing Account	9,141	9,141	-
Operating and Marketing Reserve Account	155,201	39,671	115,530
Revenue Account	15,135	-	15,135
ESA Project	23,559	23,559	-
Total	326,999	150,676	176,323
Series 2010			
Tax Increment Financing Revenue Account	23,468	23,468	-
Debt Service Reserve Account	38,681	38,681	-
WCSA Loan Payment Account	17,810	17,810	-
Total	79,959	79,959	-
Total Restricted and Non-restricted Investments	$ 406,958	$ 230,635	$ 176,323

NOTE 3 OTHER ASSETS

The Authority contributed $47 million additional funding from its cash reserves to HQ Hotel LLC to facilitate the development of the Marriott Marquis Convention Center Headquarters' Hotel Project. The contribution is to be reimbursed from the collection of excess Tax Increment Revenues (TIF) generated by the hotel. The contribution was disbursed in fiscal year 2013 and was recorded as other assets. As of September 30, 2018 and 2017, the outstanding balance was $39.4 million and $46 million, respectively.

NOTE 4 CAPITAL ASSETS

Capital asset balances as of September 30, 2018, are summarized as follows *(in thousands)*:

	Balance @ 9/30/2017	Additions	Disposals	Transfers/ Adjustments	Balance @ 9/30/2018
Non-depreciable					
Land	$ 4,785	$ -	$ -	$ -	$ 4,785
Construction In Progress	13,679	57,810	-	-	71,489
Artwork	2,742	-	-	-	2,742
Total Non-depreciable Capital Assets	21,206	57,810	-	-	79,016
Depreciable					
Building (WEWCC)	769,409	$ -	$ -	$ -	769,409
Building Improvements (WEWCC)	37,377	5,413	-	-	42,790
Plumber's Building	33,425	-	-	-	33,425
Stadium Structure	19,037	-	-	-	19,037
Building Improvements/Displays (SED)	38,344	23	-	-	38,367
Parking Lot Improvements (SED)	7,041	-	-	-	7,041
Central Plant	16,265	-	-	-	16,265
Carnegie Library - Capital Lease	14,798	-	-	-	14,798
Carnegie Library - Building Improvements	1,466	13	-	-	1,479
Financial Systems	1,645	106	-	-	1,751
Furniture and Fixtures	25,403	2,602	-	-	28,005
Furniture and Fixtures (SED)	1,566	12	-	-	1,578
Machinery and Equipment	20,496	3,156	-	-	23,652
Total Depreciable Capital Assets	986,272	11,325	-	-	997,597
Less: Accumulated Depreciation					
Building (WEWCC)	370,553	25,595	-	-	396,148
Building Improvements (WEWCC)	7,354	1,255	-	-	8,609
Plumber's Building	3,807	1,114	-	-	4,921
Stadium Structure	19,048	20	-	-	19,068
Building Improvements/Displays (SED)	35,777	478	-	-	36,255
Parking Lot Improvements	6,036	37	-	-	6,073
Central Plant	11,771	813	-	-	12,584
Carnegie Library-Capital Lease	2,613	505	-	-	3,118
Carnegie Library-Building Improvements	94	48	-	-	142
Financial Systems	1,446	-	-	-	1,446
Furniture and Fixtures	17,090	1,509	-	-	18,599
Furniture and Fixtures (SED)	516	166	-	-	682
Machinery and Equipment	12,012	2,456	-	-	14,468
Total Accumulated Depreciation	488,117	33,996	-	-	522,113
Total Net Depreciable Capital Assets	**$ 498,155**	**$ (22,671)**	**$ -**	**$ -**	**$ 475,484**

NOTE 4 CAPITAL ASSETS (continued)

Capital asset balances as of September 30, 2017, are summarized as follows *(in thousands)*:

	Balance @ 9/30/2016	Additions	Disposals	Transfers/ Adjustments	Balance @ 9/30/2017
Non-depreciable					
Land	$ 4,785	$ -	$ -	$ -	$ 4,785
Construction In Progress	843	12,836	-	-	13,679
Artwork	2,742	-	-	-	2,742
Total Non-depreciable Capital Assets	$ 8,370	$ 12,836	$ -	$ -	$ 21,206
Depreciable					
Building (WEWCC)	$ 769,409	$ -	$ -	$ -	$ 769,409
Building Improvements (WEWCC)	35,113	2,264	-	-	37,377
Plumber's Building	33,425	-	-	-	33,425
Stadium Structure	19,037	-	-	-	19,037
Building Improvements/Displays (SED)	38,230	114	-	-	38,344
Parking Lot Improvements (SED)	7,016	25	-	-	7,041
Central Plant	16,265	-	-	-	16,265
Carnegie Library - Capital Lease	13,386	1,412	-	-	14,798
Carnegie Library - Building Improvements	529	937	-	-	1,466
Financial Systems	1,446	199	-	-	1,645
Furniture and Fixtures	23,988	1,415	-	-	25,403
Furniture and Fixtures (SED)	1,168	398	-	-	1,566
Machinery and Equipment	18,084	2,412	-	-	20,496
Total Depreciable Capital Assets	977,096	9,176	-	-	986,272
Less: Accumulated Depreciation					
Building (WEWCC)	344,957	25,596	-	-	370,553
Building Improvements (WEWCC)	6,159	1,195	-	-	7,354
Plumber's Building	2,693	1,114	-	-	3,807
Stadium Structure	19,037	11	-	-	19,048
Building Improvements/Displays (SED)	35,299	478	-	-	35,777
Parking Lot Improvements	5,809	227	-	-	6,036
Central Plant	10,957	814	-	-	11,771
Carnegie Library-Capital Lease	2,157	456	-	-	2,613
Carnegie Library-Building Improvements	61	33	-	-	94
Financial Systems	1,446	-	-	-	1,446
Furniture and Fixtures	15,727	1,363	-	-	17,090
Furniture and Fixtures (SED)	349	167	-	-	516
Machinery and Equipment	10,923	1,089	-	-	12,012
Total Accumulated Depreciation	455,574	32,543	-	-	488,117
Total Net Depreciable Capital Assets	$ 521,522	$ (23,367)	$ -	$ -	$ 498,155

NOTE 5 CAPITAL LEASE

A) The Authority as a Lessee:

In May 2011, the Authority entered into a Memorandum of Understanding (MOU) with the District Government in order to assume the District's responsibility for the operation and maintenance of the historic Carnegie Library and grounds. Under the MOU, the Authority was required to pay $9 million over three years based on an agreed upon schedule. Previously, the District had a 99-year lease in place with the Historical Society of Washington, D.C. (HSW); under the terms of the former lease, HSW was allowed the use of the entire Library interior for certain revenue generating programs and activities that supported HSW's mission. The MOU required the Authority to negotiate a lease agreement with HSW, which was executed on November 9, 2011. On August 10, 2017, the Authority signed an amendment to the lease agreement. Under the amended lease agreement, the annual payment to HSW increased by $50,000 for the remaining 81-year term for use of approximately 80% of the Library interior. The Authority is currently generating revenues from the leasable space for events and tourism related activities.

The carrying value of the capital lease is $14.8 million and the accumulated depreciation recorded as of September 30, 2018 was $3.1 million.

The following is a schedule by year of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of September 30, 2018 *(in thousands)*:

Years Ending September 30,	Amount
2019	$ 183
2020	183
2021	188
2022	188
2023	188
2024-2028	940
2029-2033	957
2034-2038	969
2039-2043	986
2044-2048	998
2049-2053	1,015
2054-2058	1,028
2059-2063	1,046
2064-2068	1,058
2069-2073	1,077
2074-2078	1,090
2079-2083	1,109
2084-2088	1,123
2088-2093	1,143
2094-2098	1,080
Total Minimum Lease Payments	16,549
Less: Interest Costs	11,577
Present Value of Minimum Lease Payments	$ 4,972

NOTE 5 CAPITAL LEASE (continued)

B) The Authority as a Lessor:

The Authority subleased Carnegie Library for a ten years lease term with option to extend the term of the lease for two successive periods of five lease years each, under the same terms and conditions except the rental escalation increase. The total renal income recognized from the lease for the current period was $733 thousand. The following is a schedule of minimum future rentals on sublease as of September 30, 2018 *(in thousands)*:

Years Ending September 30,		**Amount**
2019	$	661
2020		793
2021		813
2022		817
2023		837
2024-2028		4,350
2029-2033		5,080
2034-2038		5,621
2039		196
Total Minimum Lease Payments		19,166
Less: Interest Costs		4,830
Present Value of Minimum Lease Payments	$	14,336

NOTE 6 OPERATING LEASES (Rental Income)

The Authority leases buildings and retail spaces to outside parties. As of September 30, 2018 and 2017, rental income from operating leases was $4.4 million and $3.4 million, respectively. The following is a schedule of minimum future rentals on non-cancelable operating leases as of September 30, 2018 *(in thousands)*:

Years Ending September 30,	Amount
2019	$ 3,222
2020	3,301
2021	3,375
2022	3,448
2023-2027	3,534
2028-2032	17,748
2033-2037	18,470
2038-2042	21,412
2043-2047	24,822
2048-2052	2,000
2053-2057	2,100
2058-2062	2,200
2063-2067	2,300
2068-2072	2,400
2073-2077	2,500
2078-2082	2,600
2083-2087	2,700
2088-2092	2,800
2093-2097	2,900
2098-2102	3,000
2103-2017	3,100
2108-2108	3,180
2109	660
Total	$ 133,772

NOTE 7 BONDS PAYABLE

The Authority was authorized to issue bonds to finance the costs of the new convention center pursuant to the WCCA Act, as amended. On September 28, 1998, the Authority issued $524.5 million in senior lien dedicated tax revenue bonds (Series 1998A Bonds) to finance the construction of the new Washington Convention Center.

NOTE 7 BONDS PAYABLE (continued)

On February 1, 2007, WCCA issued $492.5 million of refunding Series 2007A Bonds, with a net premium of $15.6 million to effect a refunding for the Series 1998A Bonds. These refunding bonds were delivered on February 8, 2007, with maturities ranging from October 1, 2008 to October 2036, at interest rates ranging from 3.75% to 5%. The net proceeds of these refunding bonds were used to 1) advance refund all of the Series 1998A Bonds in the aggregate principal amount of $480.6 million; 2) refinance a portion of the land acquisition cost of WCCA related to the Headquarters Hotel; 3) pay the premium for the Reserve Account Facility that will fund the Series 2007A Debt Service Reserve Requirement; and 4) pay Costs of Issuance of the Series 2007A Bonds, including the premium for the Financial Guaranty Insurance Policy. As a result, the previously outstanding refunded bonds were considered to be defeased and the liabilities for those bonds were extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was $9.7 million (NPV).

Between June, 2006 and July, 2009, the Council passed a series of legislative Acts (collectively, the "Hotel Acts"),[1] which authorized the financing, construction and development of a privately owned and operated Headquarters Hotel (the "HQ Hotel") for the Convention Center, including a program to train D.C. residents for HQ Hotel jobs.

In October 2010, the Authority issued senior lien dedicated tax revenue bonds (Series 2010 Bonds) with face value of $249.2 million. These Bonds were delivered on October 26, 2010, with maturities ranging from October 2015 to October 2040, at interest rates ranging from 3.1% to 7%. The proceeds are to be used to (i) make funds available to the Developer to pay a portion of the costs of acquiring, developing, constructing and equipping the Convention Center Hotel Project to be constructed on the Hotel Site adjacent to the Walter E. Washington Convention Center; (ii) fund capitalized interest for a portion of the Series 2010 Bonds during the construction phase of the Convention Center Hotel Project; (iii) fund the Debt Service Reserve Account Requirement for each series of Series 2010 Bonds; (iv) defease to the earliest optional redemption date that portion of the Authority's outstanding Senior Lien Dedicated Tax Revenue and Refunding Bonds, Series 2007A maturing on December 1, 2036 in the aggregate principal amount of $25.4 million; (v) make $2 million available to the Authority for establishment of the D.C. Citizen's Job Program created pursuant to the Hotel Act; and (vi) pay the Cost of Issuance for the Series 2010 Bonds. As the hotel will be privately owned, the disbursement of the hotel related bond proceeds will be recorded as an expense by the Authority.

A portion of the net proceeds from the issuance of Series 2010 Bonds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt services payments until the Series 2007A bonds are called or matures. As a result, the aggregate principal amount of $25.4 million from Series 2007A Bonds is considered to be defeased, and therefore, removed as a liability from the Authority's financial statements. The amount was fully paid by the Trustee on October 1, 2016.

On February 22, 2018, the Authority issued $333.1 million in Senior Lien Dedicated Tax Revenue Refunding Bonds, with a net premium of $37.9 million, with interest rates ranging between 1.390% and 3%. The proceeds from Series 2018A and 2018B Bonds were used to current refund outstanding maturities of Series 2007 and advance refund Series 2010C, respectively. The Authority deposited the net proceeds from 2018B along with other funds of the Authority in an irrevocable trust to provide for all future debt service on the refunded 2010C bonds. As a result, the 2010C series bonds is considered legally defeased and, as such, are not reflected in "Bonds Payable" at September 30, 2018. The aggregate difference in debt service between the refunded debt and the refunding debt was $9.7 million (NPV).

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[1] *See* New Convention Center Hotel Omnibus Financing and Development Act of 2006; New Convention Center Hotel Omnibus Financing and Development Amendment Act of 2008; New Convention Center Hotel Technical Amendments Act of 2008; New Convention Center Hotel Emergency Amendment Act of 2009, D.C. Bill No. 18-391; and New Convention Center Hotel Amendment Act of 2009, D.C. Bill No. 18-310.

NOTE 7 BONDS PAYABLE (continued)

In connection with the issuance of the bonds, the District and the Authority entered into lockbox and collection agreements with a local bank into which the dedicated taxes are deposited and transferred to the Bond trustee. Dedicated taxes are collected one month in arrears. The WCCA Act states that on or before July 15 of each year, the District's Auditor should deliver a certification relating to the sufficiency of the projected dedicated tax revenues, Authority's operating revenues, and any amounts in excess of the minimum reserve account deposits to meet the sum of the projected operating and debt service expenditures and reserve requirements. If the projected revenues are insufficient, the WCCA Act requires the mayor to impose surtax in an amount sufficient to meet the projected deficiency. The District's Auditor determined that the projected dedicated taxes for fiscal year 2018 were expected to be sufficient to meet the projected expenditures and reserve requirements. Therefore, no surtax was imposed by the Mayor.

The Tax Increment Financing (TIF) revenue generated from the HQ Hotel operations is projected to cover the debt services related to the hotel project. If the TIF revenue is not sufficient to pay the debt services, the Authority will utilize dedicated taxes to meet the requirements.

As of September 30, 2018 and 2017, the Authority's bond liability totaled approximately $499.2 million and $583.1 million, respectively. A summary of annual maturities of the bonds payable as of September 30, 2018, is as follows *(in thousands)*:

Fiscal Years	Principal	Interest	Total Debt Service
2019	$ 18,105	$ 24,963	$ 43,068
2020	24,380	24,069	48,449
2021	25,600	22,840	48,440
2022	27,590	21,531	49,121
2023	28,960	20,137	49,097
2024-2028	112,700	86,519	199,219
2029-2033	144,450	46,189	190,639
2034-2038	70,650	22,425	93,075
2039-2041	46,805	3,345	50,150
Total	**$ 499,240**	**$ 272,018**	**$ 771,258**

As of September 30, 2018 and 2017, the unamortized bond premiums were $37.3 million and $10.1million, respectively, and unamortized bond discount was $267 thousand and $279 thousand, respectively.

NOTE 8 LONG-TERM LIABILITIES

The following summarizes long-term liabilities as of September 30, 2018 and 2017 *(in thousands)*:

	Balance @ 9/30/2017	Additions	Reductions	Balance @ 9/30/2018	Amount Due Within One Year
Series 2018 Bond Payable	$ -	$ 333,050	$ -	$ 333,050	$ 14,720
Series 2007 Bond Payable	341,000	-	(341,000)	-	-
Series 2010 Bond Payable	242,140	-	(75,950)	166,190	3,385
Series 2007 Bond Premium	10,069	-	(10,069)	-	-
Series 2010 Bond Discount	(279)	-	12	(267)	-
Series 2018 Bond Premium	-	37,985	(718)	37,267	-
Bond Payable, Net	592,930	371,035	(427,725)	536,240	18,105
Capital Lease Obligation	5,123	-	(151)	4,972	147
Compensated Absences	1,284	43	(21)	1,306	75
Total Long-term Liabilities	$ 599,337	$ 371,078	$ (427,897)	$ 542,518	$ 18,327

	Balance @ 9/30/2016	Additions	Reductions	Balance @ 9/30/2017	Amount Due Within One Year
Series 2007A Bond Payable	$ 357,725	$ -	$ (16,725)	$ 341,000	$ 17,545
Series 2010 Bond Payable	245,175	-	(3,035)	242,140	3,110
Series 2007A Bond Premium	10,590	-	(520)	10,070	-
Series 2010 Bond Discount	(291)	-	12	(279)	-
Bond Payable, Net	613,199	-	(20,268)	592,931	20,655
Capital Lease Obligation	3,824	1,412	(113)	5,123	151
Compensated Absences	1,279	19	(14)	1,284	74
Total Long-term Liabilities	$ 618,302	$ 1,431	$ (20,395)	$ 599,338	$ 20,880

NOTE 9 RETIREMENT PLAN

Since April 1998, all Events DC full-time employees are covered by a defined contribution plan. The plan, which is managed by ICMA Retirement Corporation, requires no employee contributions. All employees are fully vested after four years of service. The contribution is 7% of total employee's salaries. The Authority's contributions for fiscal years 2018 and 2017 were approximately $1.4 million and $1.3 million, respectively. The Plan's administrator issues financial statements and required supplemental information which is available upon request. This report may be obtained from the following location: ICMA Retirement Corporation, 777 North Capital Street, NE, Washington, D.C. 20002-4240.

NOTE 10 RELATED PARTY TRANSACTIONS

Dedicated Taxes
In accordance with the WCCA Act and amended Master Trust Agreement, the District of Columbia Government collects and forwards to the Authority the dedicated tax receipts that are used to fund the debt service and reserve requirements of its Series 2007A Bonds. In fiscal years 2018 and 2017, the Authority recognized revenue from dedicated tax receipts of $141.4 million and $138.1 million, respectively. As of September 30, 2018 and 2017, the dedicated taxes due from the District Government were $12.3 million and $10.9 million, respectively. These receivables represent September tax payments collected by the District in October.

Tax Increment Financing (TIF) Revenue
The District issued the TIF Note to the WCSA, and the WCSA pledged the TIF Note to the Trustee to secure the payment of the Series 2010A Bonds and the 2010B Bonds (collectively, the "Bonds"). Pursuant to the TIF Note, the District has agreed to make regularly scheduled payments of principal and interest (the "Regular Payments") to the extent that funds are available in the New Convention Center Hotel Fund. TIF revenue is from the sales and use taxes and property taxes generated from the operation of the HQ Hotel. In fiscal years 2018 and 2017, the Authority recognized revenue from TIF tax receipts of $20.3 million and $21.1 million, respectively. As of September 30, 2018 and 2017, TIF receivables due from the District Government were $1 million and $2 million, respectively.

District's (DGS) Management Agreement
On October 1, 2009, under the Washington Convention Center Authority and Sports and Entertainment Commission Merger Amendment Act of 2009, the Authority merged with the D.C. Sports and Entertainment Commission to form the Washington Convention and Sports Authority (WCSA). As part of the merger, the District of Columbia's Department of General Services (DGS), formerly known as Department of Real Estate Services (DRES), became responsible for the facility maintenance tasks on RFK stadium and the DC Armory previously performed by the D.C. Sports and Entertainment Commission.

The Authority has agreed to pay DGS up to $2.5 million each year for facility maintenance services.

Relationship to the United States Government
The United States Government contracted with the D.C. Sports and Entertainment Commission's predecessor, the District of Columbia Armory Board, for the construction of RFK Stadium while the United States Government constructed the surrounding motor vehicle parking areas. Both were constructed on land owned by the United States Government (D.C. Official Code § 3–322).

In 1988, the United States Government deeded, pursuant to Public Law 99-581, "all rights, title, and interest of the United States in and to the Stadium" to the District. In addition, the United States Department of the Interior leased to the District the land occupied by the stadium and the parking areas without consideration for 50 years.

Relationship to the District of Columbia Government
Prior to the merger, the D.C. Sports and Entertainment Commission (DCSEC) entered into a lease agreement in March 2006 with the government of the District of Columbia under which the District leased the Baseball Stadium Site and the Baseball Stadium complex to the DCSEC for a 99-year term, for the amount of one dollar ($1) for the entire term. The DCSEC, subsequently, entered into a Lease Agreement dated March 6, 2006 with Baseball Expos, L.P which is now the Washington Nationals Baseball Club (the "Team"). The agreement established provisions for the DCSEC, as lessor, to sublease the Baseball Stadium Site and the Baseball Stadium Complex to the Team. The lease term extends for 30 years with an initial

NOTE 10 RELATED PARTY TRANSACTIONS (continued)

lease payment of $3.5 million and with an added escalation clause thereafter. The Team is required to pay additional rent in each lease year in which the number of certain tickets issued exceeds $2.5 million.

The former DCSEC also entered into a Funding and Assignment Agreement dated May 1, 2006 with the District of Columbia whereby the DCSEC assigned to the District all rent and other revenue amounts that it receives or is entitled to receive under or related to the March 6, 2006 Lease Agreement with the Team. During fiscal years 2018 and 2017, the District received annual rent equal to $6 million and $5.9 million, respectively. The District uses the rent revenue to pay the outstanding debt related to the Baseball Stadium Bonds. The Authority assumed all rights and obligations of the former DCSEC pursuant to the merger.

Leasing Arrangements-Carnegie Library (Visitor Center)

The District of Columbia holds the former Central Public Library known as the Carnegie Library at Mount Vernon Square situated on Lot 800 in Square 403N, with a street address at 801 K Street, NW, under a grant of jurisdiction dated March 3, 1899 from the Fifty-Fifth session of the Congress of the United States of America, in Chapter 455, entitled “An act to provide a site for a building for the Washington Public Library.”

On June 1, 1999, the District and the Historical Society of Washington, D.C. (HSW) entered into a lease agreement with respect to the Building as the leased premises for a term of ninety-nine (99) years commencing on June 1, 1999 and ending on May 31, 2098. The Original Lease was amended on April 17, 2002 and May 29, 2002.

In 2006, the United States of America transferred to the District administrative jurisdiction of U.S. Reservation 8, being the land underneath and adjacent to the Building.

On May 5, 2011, the District and the Authority entered into a Memorandum of Understanding (MOU) regarding the Carnegie Library and Reservation 8, whereby the District transferred to the Authority all of its rights and obligations with respect to the administrative jurisdiction over the Carnegie Library and with respect to the Original Lease, as amended, as well as setting forth certain obligations and rights with respect to Reservation 8, among other items, for $9 million payable in three annual installments beginning November 30, 2011. The MOU is effective from May 1, 2011 through April 30, 2110.

The Authority reported the lease as a capital asset and the related debt as a long-term liability in the Authority’s Statements of Net Position.

NOTE 11 MARKETING SERVICE CONTRACTS

In accordance with the provisions of Section 208(a) of the Washington Convention Center Act of 1994 (as amended in 1998), the Authority is required to maintain a Marketing Fund for the payment of marketing service contracts to promote conventions, tourism, and leisure travel in the District. The Act states that the total payment amount of the marketing service contracts is to be based on 17.4% of the hotel sales tax received. Effective October 1, 2017, under the Hospitality Tax Dedication section of the Act, additional 0.3 percent hotel room tax was imposed. The new 0.3 percent tax is dedicated to Destination DC through the Authority for the purposes of marketing and promoting the District of Columbia as a destination.

NOTE 11 MARKETING SERVICE CONTRACTS (continued)

During fiscal years 2018 and 2017, the total amount of dedicated taxes allocated to the Marketing Fund was approximately $19.8 million and $14.8 million, respectively. The Authority incurred the following marketing services expenses in fiscal years 2018 and 2017 *(in thousands)*, respectively:

Marketing Agencies	2018	2017
Washington D.C. Convention and Tourism Corporation	$ 13,796	$ 14,405
Destination DC-0.3% Additional	5,625	-
D.C. Chamber of Commerce	175	175
Greater Washington IBERO American Chamber of Commerce	250	250
	$ 19,846	$ 14,830

NOTE 12 BASEBALL STADIUM

Capital Fund Reserve

Pursuant to the lease agreement dated March 6, 2006, the District makes a contribution of $1.5 million to the Capital Reserve Fund each year to be used for necessary improvements and repairs costs to the Baseball Stadium. The Capital Reserve Fund balance is managed by the Authority and the balance of approximately $329 thousands as of September 30, 2018 and the $1.5 million contribution for FY2017 was fully utilized as of September 30, 2017.

Close Out Project

A memorandum of agreement was signed between the District and former DCSEC on September 30, 2009 to close out all spending for construction and development of the Baseball Stadium. A transfer of $1.9 million was made to the New Stadium Account, which is managed by the Authority. During fiscal years 2018 and 2017, there was no activity. The remaining balance of $665,221 is reflected in Due to District Government in the financial statements as of September 30, 2018 and 2017.

Contingency Reserve Fund

Pursuant to the lease agreement dated March 6, 2006, the District was required to contribute $5 million, on or before the fifth anniversary of the Commencement Date, to the Contingency Reserve Fund. The fund is to be used for necessary and appropriate expenditures to preserve, maintain or enhance the value of the Baseball Stadium complex. The Contingency Reserve Fund is managed by the Authority. As of September 30, 2018 and 2017, there was no activity and the $5 million is included in Other Liabilities in the financial statements.

NOTE 13 BASEBALL ACADEMY

On March 7, 2012, the District entered into a ground lease agreement with the Washington Nationals Youth Baseball Academy, Inc. (the "Academy") for a portion of the Fort DuPont Park Site that the Academy will use to construct and operate a youth baseball academy. In accordance with the lease agreement, the District is to make payments for the Academy improvements and has requested the Authority to facilitate the timely transfer of these payments. The Authority is in receipt of the first payment in the amount of $1 million which is included in Other Liabilities in the financial statements.

On March 7, 2012, the Authority also entered into a grant agreement with the Academy to fund $10.2 million for construction and development of a youth baseball academy. The funding was completed in 2014, and there is no outstanding commitment as of September 30, 2018.

NOTE 14 KENILWORTH PARK PROJECT

The former DCSEC received funds from the Federal Government, the Washington Nationals and the District of Columbia Department of Parks and Recreation to renovate a soccer field at Kenilworth Fort Greble fields which was completed in fiscal year 2008. At the time of the merger, the Kenilworth fund had a balance of $145 thousand. This project had no activities besides monthly interest/service charge payments in fiscal years 2018 and 2017. As of September 30, 2018 and 2017, there was an account balance of $144 thousand. The amounts are reflected as Restricted Net Position in the financial statements.

NOTE 15 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance coverage for property, liability, errors and omissions, employee accident and surety bonds.

NOTE 16 CONTINGENCIES

Due to the nature of the Authority's business, it is involved in several claims and lawsuits. In the opinion of management and legal counsel, the expected outcome of claims and lawsuits, individually, or in the aggregate will not have a material adverse effect on the financial statements.

NOTE 17 SUBSEQUENT EVENTS

The Authority hosted a grand opening on October 5, 2018 for the construction of a 118,000-square-foot Entertainment and Sport Arena (ESA) on the St. Elizabeth East Campus in the Congress Heights neighborhood of Ward 8. The approximately 4,200-seat venue will house the Washington Mystics of the WNBA, the Washington NBA G League team of the NBA G League and contain a practice facility for the Washington Wizards of the NBA. While the ESA will be used mainly for basketball, there are plans for the facility to also host concerts, community events, and other sporting events. Construction for the ESA, to include razing surrounding buildings, began in February 2016. The District and Monumental Sport & Entertainment ("Monumental") partnered with the Authority and contributed $23 million and $5 million respectively, towards the construction cost of ESA.

SUPPLEMENTAL SCHEDULES

WASHINGTON CONVENTION AND SPORTS AUTHORITY
SCHEDULE OF NET POSITION BY FUND
AS OF SEPTEMBER 30, 2018
(In Thousands)

	Operating (WCC) Fund	Operating (SESED) Fund	Marketing Fund	Capital Fund	Building Fund	New Stadium Fund	SE & SED Capital Fund	Visitor Center Operating Fund	Visitor Center Capital Fund	Total
ASSETS AND DEFERRED OUTFLOWS										
Current Assets:										
Cash and Cash Equivalents	$ 2,378	$ 2,095	$ 1,394	$ 6,910	$ -	$ -	$ 89	$ 1,656	$ -	$ 14,522
Restricted Cash	-	1,185	-	-	-	5,971	-	1,818	-	8,974
Investments	201,138	-	5,620	-	-	-	-	-	-	206,758
Due from District of Columbia	10,403	-	1,887	-	1,054	-	-	-	-	13,344
Accounts Receivable, Net of Allowance for Uncollectible Accounts	2,929	506	-	14		-	-	-	-	3,449
Prepaid Expenses and Other Assets	1,158	-	4	-	-	-	-	-	-	1,162
Accrued Interest Receivable	428	-	-	-	83	-	-	-	-	511
Interfund Receivable (Payable)	(591)	207	1,363	-	(1,000)	23	-	(2)	-	-
Total Current Assets	217,843	3,993	10,268	6,924	137	5,994	89	3,472	-	248,720
Noncurrent Assets										
Lease receivable	-	-	-	-	-	-	-	14,336	-	14,336
Other Asset	39,410	-	-	-	-	-	-	-	-	39,410
Restricted Investments	130,258	-	-	-	60,073	-	-	-	-	190,331
Non-depreciable Capital Assets	7,510	-	-	71,506	-	-	-	-	-	79,016
Depreciable Capital Assets, Net of Accumulated Depreciation	379,803	33	-	49,700	28,504	-	4,414	11,681	1,349	475,484
Total Noncurrent Assets	556,981	33	-	121,206	88,577	-	4,414	26,017	1,349	798,577
Total Assets	774,824	4,026	10,268	128,130	88,714	5,994	4,503	29,489	1,349	1,047,297
Deferred Outflow of Resources										
Bond Deferral of Refunding Costs	2,550	-	-	-	8,142	-	-	-	-	10,692
Total Assets and Deferred Outflow of Resources	$ 777,374	$ 4,026	$ 10,268	$ 128,130	$ 96,856	$ 5,994	$ 4,503	$ 29,489	$ 1,349	$ 1,057,989

WASHINGTON CONVENTION AND SPORTS AUTHORITY
SCHEDULE OF NET POSITION BY FUND *(continued)*
AS OF SEPTEMBER 30, 2018
(In Thousands)

	Operating (WCC) Fund	Operating (SESED) Fund	Marketing Fund	Capital Fund	Building Fund	New Stadium Fund	SE & SED Capital Fund	Visitor Center Operating Fund	Visitor Center Capital Fund	Total
LIABILITIES AND NET POSITION										
Current Liabilities										
Accounts payable	$ 1,559	$ 376	$ 1,968	$ 12,218	$ -	$ -	$ -	$ 633	$ -	$ 16,754
Other Short-term Liabilities	78	1,868	-	-	1,000	5,329	-	-	-	8,275
Due to District of Columbia	6	658	-	-	1,000	665	-	-	-	2,329
Compensation Liabilities	1,161	149	-	-	-	-	-	7	-	1,317
Unearned Revenue	2,615	658	-	-	-	-	-	-	-	3,273
Accrued Interest Liabilities	6,741	-	-	-	5,888	-	-	-	-	12,629
Capital Lease - Current Portion	-	-	-	-	-	-	-	147	-	147
Bonds Payable - Current Portion	14,720	-	-	-	3,385	-	-	-	-	18,105
Total Current Liabilities	26,880	3,709	1,968	12,218	11,273	5,994	-	787	-	62,829
Noncurrent Liabilities										
Compensated Absences	1,022	200	-	-	-	-	-	9	-	1,231
Capital Lease, Net of Current Portion	-	-	-	-	-	-	-	4,825	-	4,825
Bonds Payable, Net of Bond Premium	298,082	-	-	-	220,053	-	-	-	-	518,135
Total Noncurrent Liabilities	299,104	200	-	-	220,053	-	-	4,834	-	524,191
Total Liabilities	325,984	3,909	1,968	12,218	231,326	5,994	-	5,621	-	587,020
Deferred Inflow of Resources	-	-	-	-	-	-	-	13,922	-	13,922
Total Deferred Inflow of Resources	-	-	-	-	-	-	-	13,922	-	13,922
Net Position:										
Net Investment in Capital Assets	77,062	33	-	121,206	-	-	4,414	6,708	1,349	210,772
Restricted										
Debt Services and Capitalized Interest	23,635	-	-	-	-	-	-	-	-	23,635
Capital renewal	21,815	-	-	-	-	-	-	-	-	21,815
Operating & Marketing fund	50,635	-	-	-	-	-	-	-	-	50,635
Senior Proceeds	-	-	-	-	-	-	-	-	-	-
Debt services reserve	27,554	-	-	-	-	-	-	-	-	27,554
Kenilworth Park	-	144	-	-	-	-	-	-	-	144
ESA Project	6,621	-	-	-	-	-	-	-	-	6,621
Unrestricted Net Position	244,068	(60)	8,300	(5,294)	(134,470)	-	89	3,238	-	115,871
Total Net Position	$ 451,390	$ 117	$ 8,300	$ 115,912	$ (134,470)	$ -	$ 4,503	$ 9,946	$ 1,349	$ 457,047

WASHINGTON CONVENTION AND SPORTS AUTHORITY

SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(In Thousands)

	Operating (WCC) Fund	Operating (SESED) Fund	Marketing Fund	Capital Fund	Building Fund	New Stadium Fund	SE & SED Capital Fund	Visitor Center Operating Fund	Visitor Center Capital Fund	Total
Operating Revenues:										
Building Rental	$ 7,532	$ 885	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,417
Food Services	7,504	217	-	-	-	-	-	-	-	7,721
Electrical	3,036	-	-	-	-	-	-	-	-	3,036
Rigging	2,014	-	-	-	-	-	-		-	2,014
Parking	-	425	-	-	-	-	-	-	-	425
Telecommunications	2,144	14	-	-	-	-	-	-	-	2,158
Retail and Office Space Rental	617	514	-	-	-	-	-	-	-	1,131
Advertising and Sponsorship	-	928	-	-	-	-	-		-	928
Plumber's Building Rental	-	-	-	-	2,513	-	-	733	-	3,246
Miscellaneous	1,379	1,044	-	-	-	-	-	2	-	2,425
Total Operating Revenues	24,226	4,027	-	-	2,513	-	-	735	-	31,501
Operating Expenses:										
Personal Services	23,969	3,098	-	-	-	-	-	217	-	27,284
Contractual Services	16,715	970	4,752	601	-	-	-	75	-	23,113
Depreciation	26,573	4	-	4,840	1,115	-	909	505	50	33,996
Occupancy	4,660	1,581	-	-	-	-	-	192	-	6,433
Payment to District of Columbia	-	2,501	-	-		-	-	-	-	2,501
Miscellaneous	1,306	122	-		-	-	-	-	-	1,428
Provision for Doubtful Accounts	33	-	-	-		-	-	(17)	-	16
Total Operating Expenses	73,256	8,276	4,752	5,441	1,115	-	909	972	50	94,771
Operating Loss	(49,030)	(4,249)	(4,752)	(5,441)	1,398	-	(909)	(237)	(50)	(63,270)
Non-operating Revenues and (Expenses)										
Investment Income	4,086	-	1	-	734	-	-	-	-	4,821
Dedicated Taxes	141,448	-	-	-	-	-	-	-	-	141,448
Tax Increment Financing Taxes	-	-	-	-	20,320	-	-	-	-	20,320
Miscellaneous Revenues	3	-	-	23,000	4,040	-	-	-	-	27,043
Interest Expense	(16,446)	-	-	-	(12,815)	-	-	(34)	-	(29,295)
Bond Amortization Expense	350	-	-	-	(644)	-	-	-	-	(294)
Marketing Agencies and Internal Marketing Expenses	-	-	(19,846)	-	-	-	-	-	-	(19,846)
Miscellaneous Expenses			-		(7,589)	-	-	-	-	(7,589)
Total Nonoperating Revenues and (Expenses)	129,441	-	(19,845)	23,000	4,046	-	-	(34)	-	136,608
Transfer In (Out)	(73,450)	5,770	24,436	40,355	14	-	-	2,811	64	-
Change in Net Position	6,961	1,521	(161)	57,914	5,458	-	(909)	2,540	14	73,338
Net Position, Beginning of Year	444,429	(1,404)	8,461	57,998	(139,928)	-	5,412	7,406	1,335	383,709
Net Position, End of Year	$ 451,390	$ 117	$ 8,300	$ 115,912	$ (134,470)	$ -	$ 4,503	$ 9,946	$ 1,349	$ 457,047

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Mayor and Council of the Government of the District of Columbia
and the Board of Directors of the Washington Convention and Sports Authority
Washington, DC

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Washington Convention and Sports Authority (the Authority), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 3, 2019.

Internal Controls over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Authority's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal controls.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal controls, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal controls over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

SB + Company, LLC

Washington, DC
January 3, 2019